

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 EURE-00 IGA-02 PM-05 /100 W
-----119524 121306Z /50

P R 120946Z AUG 77
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC PRIORITY8490
INFO AMCONSUL ADANA BY POUCH
AMEMBASSY ATHENS
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY LONDON
AMEMBASSY NICOSIA
AMEMBASSY PARIS
USMISSION USUN NEW YORK
USDOCOSOUTH NAPLES
EUCOM
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR
DIA WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 ANKARA 6045

USOECD

USEEC

E.O. 11652: GDS
TAGS: EFIN, PINT, TU
SUBJECT: PRIME MINISTER DEMIREL SUSPECTS US FINANCIAL EMBARGO;
APPRECIATES NEED FOR IMPROVED DIALOGUE WITH INTERNATIONAL
BANKERS

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REF: (A) STATE 181000 (DTG 021955Z AUG 77), NOTAL
(B) ANKARA 3385 (040938Z MAY 77) NOTAL
(C) ANKARA 3329 (021600Z MAY 77) NOTAL

1. PEOPLE IN HIGH PLACES IN TURKEY, INCLUDING, UNTIL
TWO DAYS AGO AT LEAST, PRIME MINISTER DEMIREL, APPARENTLY
SINCERELY BELIEVE THAT US GOVERNMENT IS ACTING IN MANNER

TO DENY TURKEY NEEDED COMMERCIAL FINANCING. IN CALL ON ME AUGUST 10, NURI EREN, FORMER TURKISH AMBASSADOR TO CHINA AND DEPUTY PERMANENT REPRESENTATIVE TO UN, NEW YORK, MENTIONED PRIME MINISTER'S ATTITUDE AND REINFORCED MY INDEPENDENT OBSERVATIONS OVER THE MONTH I HAVE BEEN HERE THAT MANY TURKS, WHO SHOULD KNOW BETTER, BELIEVE THAT UNWILLINGNESS OF AMERICAN BANKS TO RENEW CERTAIN SHORT-TERM CREDIT FACILITIES TO TURKISH CENTRAL BANK WAS DIRECTED BY US GOVERNMENT.

2. EREN MADE DISTURBING DISCLOSURE THAT PRIME MINISTER DEMIREL HIMSELF HAD DISPLAYED THIS VIEW WHEN EREN HAD CALLED ON HIM AUGUST 9. ACCORDING TO EREN, PRIME MINISTER HAD REMARKED, "I AM BEING TOLD THAT THE US MILITARY ASSISTANCE SALES EMBARGO IS BEING APPLIED TO US-TURKISH FINANCIAL RELATIONS AS WELL."

3. EREN SAID THAT HE HAD VIGOROUSLY COUNTERED THIS VIEW. HE HAD NOTED THAT OVER LAST TWO YEARS, US BANKS HAD LENT TURKEY \$1.3 BILLION. IF THERE HAD BEEN SUCH A CONSPIRACY AS PRIME MINISTER SUSPECTED, EREN ADDED, US BANKS WOULD HARDLY HAVE ACTED IN THIS MANNER.

4. EREN, BOARD MEMBER OF PRIVATE YAPI VE KREDI BANKASI (YKB), IS IN PROCESS OF ESTABLISHING INTERNATIONAL RELATIONS DEPARTMENT IN NEW YORK FOR HIS BANK; PURPOSE IS CONFIDENTIAL

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TO CREATE DIALOGUE WITH AMERICAN BANKS IN AREA OF INVESTMENT AS WELL AS COMMERCIAL BANKING. EREN, WHO THOUGHT HIS PROJECT WOULD BENEFIT TURKISH GOVERNMENT AS MUCH AS YKB, FELT STRONGLY THE LACK OF ADEQUATE CONTACT WITHIN TURKISH GOVERNMENT WITH INTERNATIONAL BANKING COMMUNITY.

5. EREN SAID THAT HE HAD ADVISED PRIME MINISTER, IN CONNECTION WITH UPCOMING DISCUSSIONS WITH INTERNATIONAL MONETARY FUND, TO INVITE A GROUP OF PROMINENT BANKERS TO TURKEY TO HAVE A LOOK AT THE ECONOMY. HE HAD IN MIND SUCH PEOPLE AS DAVID ROCKEFELLER AND GABRIEL HAUGE. PRIME MINISTER, HE SAID, HAD BEEN VERY RECEPTIVE TO THE SUGGESTION.

6. I AGREED WITH HIM IN PRINCIPLE, AND SUGGESTED FURTHER THAT IT WOULD BE WORTHWHILE FOR PRIME MINISTER DEMIREL TO TALK TO SOME BRITISH LEADERS --JAMES CALLAHAN, HAROLD LEVER, JOHN PARDOE, FOR EXAMPLE-- ABOUT BRITISH DOMESTIC POLITICAL EXPERIENCE IN COMING TO TERMS WITH IMF CREDIT CONDITIONS. SOME OF THESE LEADERS, I FELT SURE, HAD SECRETLY WELCOMED IMF DISCIPLINE AS MEANS OF OVERCOMING DEMANDS OF VARIOUS DOMESTIC

POLITICAL FORCES FOR ECONOMICALLY CONFLICTING AND
UN SOUND POLICIES.

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C O N F I D E N T I A L SECTION 2 OF 2 ANKARA 6045

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7. COMMENT. I REGARD THIS "CONSPIRACY THEORY" AS A DANGEROUS
IDEA, IT MAY BE IN PART THE PRODUCT OF NAIVETY ABOUT HOW THE
US BANKING COMMUNITY OPERATES. WHILE THERE IS RISK
THAT A VISIT BY A GROUP OF TOP AMERICAN BANKERS IN THE
NEXT FEW MONTHS COULD GIVE A FALSE SIGNAL THAT US SOURCES
WERE PREPARED TO ADVANCE IMPORTANT CREDITS TO TURKEY,
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THIS POSSIBILITY WOULD SEEM TO BE AVOIDABLE IF BANKERS WERE TO COME SINGLY IN PRIVATE, UNPUBLICIZED VISITS. EMBASSY WILL PROVIDE IN SEPTEL ANALYSIS OF ADVANTAGES AND DISADVANTAGES OF THIS IDEA AND ITS RECOMMENDATION.

8. IN ADDITION TO INCREASED CONTACTS AMONG TURKISH LEADERS AND FOREIGN FINANCIAL EXPERTS, THERE IS ALSO NEED FOR DEVELOPING SOPHISTICATED KNOWLEDGE OF INTERNATIONAL BANKING MECHANISMS AMONG MIDDLE-LEVEL BANKERS AND GOVERNMENT OFFICIALS IN TURKEY. AMERICAN BANKERS CALLING AT THE EMBASSY HAVE REPEATEDLY COMMENTED THAT THEY HAVE FOUND SURPRISING LACK OF KNOWLEDGE ABOUT FINANCIAL INSTRUMENTALITIES AND PRACTICES OF FOREIGN MONEY MARKETS AMONG EVEN TOP OFFICIALS OF THE CENTRAL BANK CHARGED DAILY WITH ATTRACTING FOREIGN CREDITS OR EFFECTING TRANSFERS OF FOREIGN EXCHANGE.

9. THE MOST SATISFACTORY SOLUTION TO THIS PROBLEM MIGHT BE FOR THE CENTRAL BANK TO HIRE THE SERVICES OF A COMPETENT CONSULTING FIRM. EMBASSY KNOWS FROM VISITS OF BANKERS THAT BOTH MERRILL LYNCH AND WELLS FARGO (PROTECT BOTH) ARE TRYING TO INTEREST THE TURKISH GOVERNMENT IN SUCH A SERVICE. BUT THE CENTRAL BANK HAS LITTLE MONEY AT THIS TIME TO BUY THIS AID, FUNDAMENTAL AS IT MAY BE.

10. I WOULD THEREFORE APPRECIATE THE ADVICE OF THE DEPARTMENT ABOUT ANY MODEST TRAINING OPPORTUNITIES FOR FOREIGN BANKERS OR GOVERNMENT FINANCIAL OFFICIALS THAT MIGHT EXIST UNDER AEGIS OF THE EXPORT-IMPORT BANK, THE FEDERAL RESERVE SYSTEM, OR OTHER SPONSORS, PUBLIC OR PRIVATE. THE EMBASSY IS GENERALLY AWARE THAT EXIM BANK DOES ARRANGE ORIENTATION PROGRAMS FOR FOREIGN

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BANKERS, ACQUAINTING THEM NOT ONLY WITH EXIM ACTIVITIES, BUT, I BELIEVE, ALSO SETTING UP CONSULTATIONS FOR THEM WITH PRIVATE BANKS IN AND OUTSIDE WASHINGTON D.C.

11. I INTEND TO RAISE WITH THE PRIME MINISTER AND WITH GOVERNOR SADIKLAR OF THE CENTRAL BANK ON MY INITIAL CALLS ON THEM MY CONCERN ABOUT THE "CONSPIRACY THEORY". EMBASSY WILL SUBMIT SUGGESTED TALKINGPOINTS ON THIS SUBJECT FOR DEPARTMENT'S APPROVAL.

12. IN THE MEANTIME, ANY SMALL STEPS THAT WE COULD TAKE TO MOVE IN THE DIRECTION OF PROVIDING ADDITIONAL CONTACTS

FOR TURKS WITH US BANKERS WOULD BE A STEP TOWARD THE
LONGER TERM JOB OF BUILDING UP KNOWLEDGE IN TURKEY ABOUT
US BANKING PRACTICES AND A SOPHISTICATION ABOUT
INTERNATIONAL BANKING AMONG TURKISH GOVERNMENT OFFICIALS.
THIS KIND OF A DIALOGUE IS THE ONLY WAY I KNOW OF
BREACHING THE WALLS OF THE LARGELY SELF-IMPOSED TURKISH
ISOLATION (SELF-IMPOSED FOR UNDERSTANDABLE HISTORICAL
REASONS) THAT CONTRIBUTES TO THE KIND OF BASIC
MISUNDERSTANDING WE NOW FACE IN THIS AREA.

13. AFTER THIS MESSAGE WAS PREPARED, I RECEIVED THE
WELCOME NEWS THAT THE TURKISH CENTRAL BANK IS PLANNING
TO OPEN REPRESENTATIVE OFFICES IN NEW YORK AND LONDON,
IF POSSIBLE, BY EARLY OCTOBER. (SEPTTEL) AS IMPORTANT
A STEP FORWARD AS THIS MOVE IS, IT DOES NOT LESSEN
THE NEED FOR TRAINING AND OREINTATION
OPPORTUNITIES REFERRED TO IN PARAGRAPH 10.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, PLANNING MEETINGS, FINANCIAL AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ANKARA06045
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770291-0074
Format: TEL
From: ANKARA USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770869/aaaacgep.tel
Line Count: 242
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5834105c-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 181000, 77 ANKARA 3385
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1623184
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER DEMIREL SUSPECTS US FINANCIAL EMBARGO; APPRECIATES NEED FOR IMPROVED DIALOGUE WITH INTERNATIONAL BANKERS
TAGS: EFIN, PINT, TU
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/5834105c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009